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FISCAL IMPACT STATEMENT

LS 7516

BILL NUMBER: HB 1001

NOTE PREPARED: Feb 18, 2009

BILL AMENDED: Feb 17, 2009

SUBJECT: Budget Bill.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: *State Appropriations:* This bill appropriates money for the operation of state government and various distributions for state FY 2010.

Higher Education: This bill authorizes bonding for certain capital projects. It indicates that authority to bond or spend for certain capital projects that was granted to state educational institutions in the 2007 budget bill may be exercised without further approval of the Budget Agency, Governor, or Commission for Higher Education.

Indiana State Archives Building: The bill provides an appropriation design work for a state archive building and authorizes its construction.

Water Project: The bill provides an appropriation for a water project affecting Jennings County, Ripley County, and Decatur County. It also prohibits an appropriation made in the 2007 budget bill for the water system from reverting.

Tracking Cigarette Stamps: The bill requires a feasibility study of the benefits of changing the design and method for verifying, tracking, and tracing cigarette stamps.

Ethics Provisions: This bill provides that a state officer or employee who retaliates or threatens to retaliate against an employee, service provider, or certain other persons for communicating with a member of the General Assembly or for failing to acquiesce to an unlawful request is subject to a \$500 civil penalty and certain sanctions.

Budget Agency Reporting Requirements: The bill requires the Budget Agency to report actual and proposed reversions, fund transfers, and appropriation reassignments exceeding \$250,000 to the Legislative Council on a quarterly basis.

Gaming License Transfers: The bill voids ownership transfer fee rules adopted in 2007 by the Indiana Gaming Commission and the Indiana Horse Racing Commission and requires the State Treasurer to refund any payment made to the state under these rules.

Pension Stabilization Fund: The bill reduces the amount that must be contributed from the Pension Stabilization Fund to pay the pension benefits from the Pre-1996 Teachers' Retirement Fund. It also eliminates the requirement that money transferred to the Teachers' Retirement Fund from the Lottery Commission must be deposited in the Pension Stabilization Fund.

Circuit Breaker Replacement Grant: The bill provides a circuit breaker replacement grant to a civil taxing unit that has a reduction in revenues exceeding 20% because of the application of circuit breaker credits.

Tippecanoe County Innkeeper's Tax: The bill provides that 10% of the Tippecanoe County innkeeper's tax shall be used for the construction of a swimming pool at Prophetstown State Park.

Post-War Construction Fund: The bill permits money in the Post-War Construction Fund to be used for the construction of facilities for the activities of state agencies or branches of state government.

Financial Responsibility Compliance Verification Fund and State License Branch Fund Transfers: The bill prohibits the transfer of money in the Financial Responsibility Compliance Verification Fund or State License Branch Fund to be transferred or used for any purpose other than the purposes of the fund.

Medicaid and Indiana Check-up Plan Provisions: The bill requires a managed care provider's contract or agreement under the Medicaid program to include a prescription drug program. The bill also permits chiropractic services and, in FY 2010, SB 501 health benefits and disproportionate share payments to be paid from the Indiana Check-up Plan Trust Fund.

K-12 Education: The bill requires student test numbers to be available, reported, and stored so that the current location of students can be ascertained.

School Capital Projects Fund (CPF) Expenditures: The bill increases the property tax levy that may be imposed in 2009 and 2010 for the capital projects fund to pay certain insurance or utility costs from 3.5% to 5.5% of the school corporation's CY 2005 capital projects distribution.

Commission for Higher Education: The bill provides that actions of the Commission for Higher Education are nonbinding recommendations.

Unemployment Insurance Solvency Fund: The bill establishes the Unemployment Insurance Solvency Fund for the purpose of depositing money collected from an unemployment insurance surcharge.

Court Fees: The bill provides that in all civil, criminal, infraction, and ordinance violation actions, the clerk of the court shall collect an Automated Record Keeping Fee in the following amounts: (1) \$7 before July 1, 2009; (2) \$10 after June 30, 2009, and before July 1, 2013; and (3) \$7 after June 30, 2013.

Industrial Development Loans: The bill authorizes certain industrial development loans.

Rainy Day Fund Transfer: The bill transfers \$100 M from the Counter-Cyclical Revenue and Economic Stabilization Fund (Rainy Day Fund) to the state General Fund during FY 2010.

The bill also makes other changes.

Effective Date: July 1, 2007 (Retroactive); January 1, 2009 (Retroactive); Upon passage; July 1, 2009.

Explanation of State Expenditures: *State Appropriations:* The following summary is for appropriations during state FY 2010.

Appropriations by Function	FY 2010
General Government	\$518,305,338
Corrections	683,959,581
Other Public Safety	99,637,405
Conservation and Environment	87,449,798
Economic Development	47,476,194
Mental Health	270,271,979
Public Health	61,689,488
Medicaid	1,704,480,432
Family and Children	147,656,413
Social Services and Veterans	285,495,857
Higher Education	1,871,291,698
Education Administration	3,094,762
Teacher's Retirement - GF *	657,306,248
Other Education	13,315,505
Homestead Credits	110,000,000
Distributions	179,753,902
Total Operating	\$6,741,184,600
Construction - Higher Education	\$35,035,049
Construction - Other	216,727,380
Total Construction	\$251,762,429
Total (Operating + Construction)- GF	\$6,992,947,029
BIF	\$15,500,000
Other Dedicated - Operating	2,012,699,025
Other Dedicated - Construction	47,240,624
IFA - Indiana State Archives Bldg **	500,000
Tobacco Settlement	138,417,249
Federal	991,741,640
Total Other	\$3,206,098,538
Total - All Funds	\$10,199,045,567
* Teacher's Retirement number does not include the \$30 M transfer from the Administrative Trust Fund, which is included under Other Dedicated-Operating.	
** SECTION 37 appropriation to IN Finance Authority from Postwar Construction Fund.	

Higher Education: University bonding projects are listed in the following table.

<i>Eligible for Fee Replacement -</i>	
Ball State Central Campus Rehabilitation	19,700,000
Indiana State University Federal Building	20,000,000
Indiana University	
Life and Health Science Lab Renovation	37,000,000
International Studies Building	47,000,000
Land Acquisition	20,500,000
Northwest Regional Campus Tamarack Hall	33,000,000
IUPUI Neuroscience Building	33,000,000
Bloomington Campus Cyber Infrastructure Office	35,700,000
Bloomington Campus Multidisciplinary Sciences III	42,400,000
South Bend Campus North Hall	19,100,000
Southeast Campus Education and Technology Building	22,000,000
Kokomo Campus Health and Wellness Center	17,500,000
East Campus Health and Wellness Center	17,500,000
Ivy Tech Community College	
Anderson Campus	20,000,000
Bloomington Campus	20,000,000
Gary Campus	20,000,000
Muncie Campus	20,000,000
Warsaw Campus	10,100,000
Purdue University	
West Lafayette Campus Life Science Facility Improvement	67,000,000
Calumet Campus Gyte Anne Demolition and Science Addition	26,500,000
Calumet Campus Science Addition	23,700,000
North Central Campus Student Services and Activities Complex	23,700,000
Ft Wayne Helmke Library and Classroom Med Bldg Renovations	6,000,000
Fort Wayne Campus Parking Garage	16,800,000
University of Southern Indiana Teacher Theatre Replacement Project	15,000,000
Vincennes University	
Habig/Ruxer Renovation(Jasper)	1,500,000
P.E. Building	5,000,000
Davis Hall	850,000
Total Projects Eligible for Fee Replacement	640,550,000
<i>Not Eligible for Fee Replacement -</i>	
Purdue University Lafayette Campus Student Fitness and Wellness Center	98,000,000
Indiana University Purdue University at Fort Wayne	16,800,000
Total Projects Not Eligible for Fee Replacement	114,800,000
Total Bonding	755,350,000

The fee replacement on the \$640.55 M of bonding authority would be about \$53.6 M per year for 20 years.

The bill would remove the requirement that projects authorized in the 2007 budget bill (P.L. 234-2007) require review and approval by the State Budget Committee, Governor, or the Higher Education Commission to issue and sell bonds. The bill could reduce the time required for project approval.

Water Project: The bill provides that the \$10 M appropriation from the Build Indiana Fund (BIF) to the IFA to fund construction of public water supply systems serving Ripley, Decatur, and Jennings Counties, beginning July 1, 2007, and ending June 30, 2009, is not subject to transfer to any other fund or to transfer, assignment, or reassignment for any other use or purpose by the State Board of Finance or the Budget Agency. The appropriation does not revert to the state General Fund, BIF, or any other fund at the close of any state fiscal year but remains available to the IFA until the purposes for which it was appropriated are fulfilled. If an action has been taken to transfer the amount of the appropriation or revert the amount, the Budget Agency must return the money to BIF and make it available to carry out the purposes of the appropriation.

Tracking Cigarette Stamps: The bill requires a feasibility study by the Department of State Revenue (DOR) of the benefits of changing the design and method for verifying, tracking, and tracing cigarette stamps. The DOR is to pay for the study unrestricted funds that are otherwise available to the DOR and report the results to the Legislative Council by November 1, 2009.

Gaming License Transfers: The bill voids ownership transfer fee rules adopted in 2007 by the Indiana Gaming Commission (IGC) and the Indiana Horse Racing Commission (IHRC) and requires the State Treasurer to refund any payment made to the state under these rules. The refund requirement will result in a \$9.6 M expenditure in FY 2009.

The rules adopted by the IGC and IHRC in 2007 provided for payments to be made to the state by persons transferring an ownership interest in a casino license, a license to conduct slot machine gambling at a horse racetrack, a supplier's license, or parimutuel racing permit. The IGC rule is no longer in effect and no payments were made under the IGC rule while it was effective. The IHRC rule remains in effect and three payments have been made under the IHRC rule. LHT Capital, LLC paid \$9 M in August 2007; Duff Taylor Investments, LLC paid \$270,000 in May 2008; and Centaur Racing, LLC paid \$375,000 in May 2008.

Any future fiscal implications of voiding the IHRC rule are indeterminable because: (1) the frequency of future ownership transfers is unpredictable; (2) the rule is unclear as to the extent that payments will be required in connection with future ownership transfers; and (3) the rule is unclear as to the magnitude of any required payments.

Pension Stabilization Fund: The bill reduces the amount that must be contributed from the Pension Stabilization Fund to pay the pension benefits from the Pre-1996 Account in the Teachers' Retirement Fund (TRF). By current statute, payments from the Pension Stabilization Fund must equal the Pre-1996 Account liabilities for the current fiscal year minus the prior year's state General Fund payments for the Pre-1996 Account, multiplied by a percentage. The bill reduces the required percentage from 106% to 104%. Based on FY 2009 appropriations, this percentage change would result in reduced contributions from the Pension Stabilization Fund of about \$13.3 M for FY 2010.

For FY 2010, the bill also redirects to TRF the \$30 M transfer from the Lottery Commission. Under current statute, the \$30 M is deposited in the Pension Stabilization Fund to be used as a credit against the unfunded accrued liability of the Pre-1996 Account. For FY 2010 only, the \$30 M is appropriated for current TRF liabilities.

Circuit Breaker Replacement Grant: Under this provision, a taxing unit that loses more than 20% of its property tax levy to circuit breaker credits would be entitled to a grant. The grant would equal 90% of the loss of the amount of the levy that is attributable to essential services. The bill defines essential services as public safety, waterworks, trash operations, and storm water, waste, and sewage systems.

Eleven taxing units would qualify for an estimated \$21.4 M in grants in CY 2009. In CY 2010, 32 taxing units would receive an estimated \$47.3 M in grants. In CY 2011, 37 taxing units would receive an estimated \$51.8 M in grants. The bill requires the grants to be paid from the state General Fund to the taxing units in two annual installments by June 20th and December 20th. In CY 2009, the first installment can be made as late as August 15, 2009.

The bill makes an annual appropriation from the General Fund for the amount necessary to make the distributions. Assuming that the first installment is made in August 2009, the state's cost for the grants is estimated at \$45.0 M in FY 2010 and \$49.5 M in FY 2011. [This appropriation is not included in the appropriation summary table, above.]

Tippecanoe County Innkeeper's Tax: The bill provides that 10% of the Tippecanoe County innkeeper's tax is to be distributed to the Department of Natural Resources to be used for the construction of a swimming pool at Prophetstown State Park. The amount of the distribution will be approximately \$182,000 based on FY 2008 collections. The distribution will continue until the last of the bonds, leases, and other obligations for this purpose are completely paid, at which time the distribution will return to Historic Prophetstown.

Postwar Construction Fund: The bill would expand the purposes for which the Postwar Construction Fund (PCF) may be used to include facilities for the activities of state agencies or branches of state government. Currently, the PCF may be used for the construction of penal, benevolent, charitable, and educational institutions and for public safety projects. Additionally the PCF may be used for municipal water and sewage infrastructure improvements necessary or useful for state institutions and public safety projects. The bill appropriates \$500,000 for FY 2010 to the Indiana Finance Authority (IFA) for architectural and design work for a state archive building and authorizes its construction. [This appropriation is included in the appropriation summary table, above.] The Postwar Construction Fund is funded by distributions from alcoholic beverage excise taxes.

Financial Responsibility Compliance Verification Fund and State License Branch Fund Transfers: The bill prohibits the transfer of money in the Financial Responsibility Compliance Verification Fund or State License Branch Fund to be transferred or used for any purpose other than the purposes of the fund.

Medicaid and Indiana Check-up Plan Provisions: The bill would eliminate the possibility of removing pharmacy expenditures from the managed care organizations' (MCO) contracts and the resulting opportunity to maximize the amount of drug rebates that could be claimed by the Medicaid program. An initial estimate of the dollar amount of the rebates that might otherwise be available indicates a potential annual state-only savings of \$22 M.

The bill would add chiropractic services to the list of benefits required to be included by the Healthy Indiana Plan (HIP) in a manner and to the extent determined by the Office of Medicaid Policy and Planning (OMPP). OMPP reported to the Health Finance Commission during the 2008 interim that chiropractic services were not offered in the HIP benefit package due to federal fiscal neutrality requirements for the HIP Medicaid waiver. The fiscal impact of the requirement would depend on actions taken by the OMPP to add these services to the HIP benefit plan.

The bill also expands for one year the purposes for which the Indiana Check-up Plan Trust Fund may be used to include funding a state retiree health plan for \$23 M and the state share of certain Medicaid disproportionate share hospital distributions for \$50 M.

K-12 Education: The bill includes an appropriation of \$3,094,762 for the State Board of Education and \$3.22 M for the Public Television Distribution. [These appropriations are included in the appropriations summary table, above.]

The bill also requires the Department of Education to maintain student test number information in a manner and form that permits authorized personnel to review the information at any time and accurately determine where each student is enrolled and the number of students enrolled in the school corporation or charter school. The department would have to create a system where schools would report when a student enrolls or leaves a school. The main cost would be developing the database. The database would be developed within existing resources.

Unemployment Insurance Solvency Fund: The bill would create the Unemployment Insurance Solvency Fund to repay advances, including interest on advances, made to the state from the Federal Unemployment Account in the Federal Unemployment Trust Fund. The Unemployment Insurance Surcharge would be deposited into the fund. The provision should not have any fiscal impact.

Commission for Higher Education: The bill changes the powers of the Higher Education Commission. The commission becomes a nonbinding advisory body. The impact would depend on if the elimination of the commission approval process increases project and program costs or reduces costs due to a more streamlined approval process of review instead of approval by the commission.

Industrial Development Loans: The bill expands the purposes for which the Indiana Economic Development Corporation (IEDC) can make direct loans from the Guaranty Fund. The IEDC currently may use the fund to guarantee a loan secured by, or lease of, real property or tangible or intangible personal property to or for the benefit of any industrial development project, mining operation, or agricultural operation that involves the processing of agricultural products that would tend to create or retain employment in Indiana; and the proposed borrower or lessee cannot obtain the loan or lease upon reasonable terms. This bill expands the loan purposes to include for a supplier, contractor, or subcontractor for an industrial development project for which:

- (A) bankruptcy was declared with respect to the project before January 1, 2009;
- (B) the estimated value of the project or operation before bankruptcy was declared was at least \$500 M; and
- (C) the estimated number of employees upon completion the project or operation was expected to be at least 1,200 persons;

Rainy Day Fund Transfer: The bill transfers \$100 M from the Rainy Day Fund to the state General Fund during FY 2010, plus any additional amount with the approval of the Governor and review by the Budget Committee to maintain a positive balance in the General Fund.

Explanation of State Revenues: (Revised) *Court Fees:* The bill provides that in all civil, criminal, infraction, and ordinance violation actions, the clerk of the court shall collect an Automated Record Keeping Fee in the following amounts: (1) \$7 before July 1, 2009; (2) \$10 after June 30, 2009, and before July 1, 2013; and (3) \$7 after June 30, 2013. The new revenue shown in the table below would be deposited into the State User Fee Fund between 2010 and 2014 for distribution to the Judicial Technology and Automation

Project Fund.

New Revenue in \$Millions Deposited into State User Fee Fund					
	2010	2011	2012	2013	2014
Fee under Current Law	\$7.00	\$7.00	\$4.00	\$4.00	\$4.00
Proposed Fee	\$10.00	\$10.00	\$10.00	\$10.00	\$7.00
New Revenue (in \$M)*	\$2.91	\$2.91	\$5.82	\$5.82	\$2.91
* Each \$1 change equals \$970,572					

Explanation of Local Expenditures: (Revised) *Water Project:* The bill provides that the \$10 M appropriation made for FY 2008 and FY 2009 from BIF to the IFA to fund construction of public water supply systems serving Ripley, Decatur, and Jennings Counties is not subject to transfer to any other fund or to transfer, assignment, or reassignment for any other use or purpose by the State Board of Finance or the Budget Agency.

Explanation of Local Revenues: (Revised) The bill has the following impact on local revenues.

Circuit Breaker Replacement Grant: This grant would increase local revenues by an estimated \$21.4 M in CY 2009, \$47.3 M in CY 2010, and \$51.8 M in CY 2011.

School Capital Projects Fund (CPF) Expenditures: The bill would increase the amount of CPF money that can be used to pay school utilities and property or casualty insurance. Currently, schools can pay utilities and property or casualty insurance from the CPF fund up to a maximum of \$320.5 M, 3.5% of the 2005 school formula revenue. The bill would increase the percentage to 5.5%, allowing an additional \$166.5 M of utilities and property or casualty insurance cost to be paid from CPF.

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Auditor of the State, Indiana Code; *Indiana Judicial Reports*, 2002 through 2007.

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